

PERAC AUDIT REPORT



Plymouth Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2004



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

October 11, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Plymouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2001 to December 31, 2004. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of that noted in the finding presented in this report.

In closing, I acknowledge the work of examiner Mary Dundas who conducted this examination, and express appreciation to the Board of Retirement, its staff, as well as to the System's independent auditor, Powers and Sullivan, for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

Board Member Attendance:

A review of meeting attendance by Board members revealed the following levels of absenteeism for the four years reviewed: one member missed 25% of meetings held in 2003; while, in 2004, one member missed 25% of meetings and another member missed 43% of the meetings.

Recommendation:

Attendance at Board meetings is an obligation that must be fulfilled by all Board members. An absentee rate of twenty-five percent (25%) or more is considered excessive. It is the Board's responsibility to counsel members to make every effort to uphold their duties to the System and to take appropriate action to ensure participation of all members. The Board may consider changing the times of Board meetings in order to accommodate the member's schedule.

Board Response:

At the meeting of the Plymouth Retirement Board on April 24, 2007, the Board reviewed the Public Employee Retirement Administration's draft audit report for the period from January 2001 through December 2004.

The Board approved said finding of that report.

FINAL DETERMINATION:

PERAC auditors will follow up in six months to ensure that the appropriate actions have been taken regarding this audit finding.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2004	2003	2002
Net Assets Available For Benefits			
Cash	\$1,231,124	\$984,228	\$6,065,979
Equities	20,802,791	18,875,317	10,324,575
Pooled Domestic Equity Funds	28,018,633	23,656,845	15,690,211
Pooled International Equity Funds	11,078,735	9,137,291	6,407,124
Pooled Domestic Fixed Income Funds	26,188,135	27,967,316	27,263,238
Pooled Real Estate Funds	6,976,824	5,305,540	4,561,979
Interest Due and Accrued	0	0	0
Accounts Receivable	37,294	60,591	64,710
Accounts Payable	104,956	112,394	118,293
Total	<u>\$94,228,582</u>	<u>\$85,874,734</u>	<u>\$70,259,524</u>
Fund Balances:			
Annuity Savings Fund	\$25,246,932	\$23,209,626	\$25,940,594
Annuity Reserve Fund	11,483,082	11,420,395	6,828,716
Pension Fund	10,759,387	13,074,584	14,140,881
Military Service Fund	42,289	35,477	15,704
Expense Fund	0	0	0
Pension Reserve Fund	46,696,891	38,134,652	23,333,628
Total	<u>\$94,228,582</u>	<u>\$85,874,734</u>	<u>\$70,259,524</u>

* 2001 data not shown, but available upon written request.

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2002)	\$24,953,891	\$5,947,150	\$14,337,304	\$5,997	\$0	\$31,991,931	\$77,236,273
Receipts	2,861,109	188,327	4,905,343	9,708	672,139	(8,661,843)	(25,217)
Inter Fund Transfers	(1,363,884)	1,360,344	0	0	0	3,540	(0)
Disbursements	510,521	667,105	5,101,766	0	672,139	0	6,951,532
Ending Balance (2002)	\$25,940,594	\$6,828,716	\$14,140,881	\$15,704	\$0	\$23,333,628	\$70,259,524
Receipts	2,934,601	225,586	4,742,655	20,099	704,081	14,801,024	23,428,046
Inter Fund Transfers	(5,170,102)	5,170,428	0	(326)	0	0	(0)
Disbursements	495,468	804,334	5,808,952	0	704,081	0	7,812,836
Ending Balance (2003)	\$23,209,626	\$11,420,395	\$13,074,584	\$35,477	\$0	\$38,134,652	\$85,874,734
Receipts	3,142,160	341,214	5,114,554	6,812	774,531	8,560,379	17,939,650
Inter Fund Transfers	(825,275)	823,415	0	0	0	1861	(0)
Disbursements	279,578	1,101,942	7,429,751	0	774,531	0	9,585,803
Ending Balance (2004)	\$25,246,932	\$11,483,082	\$10,759,387	\$42,289	\$0	\$46,696,891	\$94,228,582

* 2001 data not shown, but available upon written request.

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Annuity Savings Fund:			
Members Deductions	2,526,242	2,456,193	2,398,564
Transfers from Other Systems	369,417	86,034	47,897
Member Make-Up Payments and Re-deposits	48,281	156,853	80,950
Member Payments from Rollovers	61,441	0	0
Investment Income Credited to Member Accounts	<u>136,778</u>	<u>235,521</u>	<u>333,698</u>
Sub Total	<u>\$3,142,160</u>	<u>\$2,934,601</u>	<u>\$2,861,109</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>\$341,214</u>	<u>\$225,586</u>	<u>\$188,327</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	164,373	174,796	146,433
Received from Commonwealth for COLA and Survivor Benefits	281,020	89,992	478,299
Pension Fund Appropriation	<u>4,669,161</u>	<u>4,477,866</u>	<u>4,280,611</u>
Sub Total	<u>\$5,114,554</u>	<u>\$4,742,655</u>	<u>\$4,905,343</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	6,599	19,943	9,624
Investment Income Credited to the Military Service Fund	<u>213</u>	<u>156</u>	<u>84</u>
Sub Total	<u>\$6,812</u>	<u>\$20,099</u>	<u>\$9,708</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>774,531</u>	<u>704,081</u>	<u>672,139</u>
Sub Total	<u>\$774,531</u>	<u>\$704,081</u>	<u>\$672,139</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	20,997	83,716	82,603
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	3,981	21,519	11,411
Miscellaneous Income	28	1,569	352
Excess Investment Income	<u>8,535,372</u>	<u>14,694,219</u>	<u>(8,756,209)</u>
Sub Total	<u>\$8,560,379</u>	<u>\$14,801,024</u>	<u>(\$8,661,843)</u>
Total Receipts	<u>\$17,939,650</u>	<u>\$23,428,046</u>	<u>(\$25,217)</u>

* 2001 data not shown, but available upon written request.

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2004	2003	2002
Annuity Savings Fund:			
Refunds to Members	118,620	244,960	342,161
Transfers to Other Systems	160,958	250,508	168,360
Sub Total	<u>\$279,578</u>	<u>\$495,468</u>	<u>\$510,521</u>
Annuity Reserve Fund:			
Annuities Paid	1,079,763	781,877	658,154
Option B Refunds	22,179	22,458	8,952
Sub Total	<u>\$1,101,942</u>	<u>\$804,334</u>	<u>\$667,105</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,249,680	3,816,234	3,222,156
Survivorship Payments	150,634	144,670	134,912
Ordinary Disability Payments	87,321	74,888	76,561
Accidental Disability Payments	1,272,741	1,090,453	1,009,505
Accidental Death Payments	235,984	257,529	262,334
Section 101 Benefits	26,850	25,460	21,259
3 (8) (c) Reimbursements to Other Systems	140,604	115,882	77,621
State Reimbursable COLA's Paid	238,078	255,074	267,784
Chapter 389 Beneficiary Increase Paid	27,858	28,762	29,635
Sub Total	<u>\$7,429,751</u>	<u>\$5,808,952</u>	<u>\$5,101,766</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expense Fund:			
Board Member Stipend	2,750	3,000	0
Salaries	162,188	132,000	140,023
Legal Expenses	30,937	30,550	35,009
Medical Expenses	206	0	0
Travel Expenses	7,161	4,458	0
Administrative Expenses	10,575	20,446	0
Furniture and Equipment	0	0	0
Management Fees	26,861	18,719	14,600
Custodial Fees	19,695	10,229	40,178
Consultant Fees	452	2,094	7,891
Rent Expenses	398,465	363,667	325,601
Service Contracts	65,417	57,425	57,612
Fiduciary Insurance	49,825	61,492	51,225
Sub Total	<u>\$774,531</u>	<u>\$704,081</u>	<u>\$672,139</u>
Total Disbursements	<u>\$9,585,803</u>	<u>\$7,812,836</u>	<u>\$6,951,532</u>

* 2001 data not shown, but available upon written request.

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Investment Income Received From:			
Cash	13,603	22,897	57,672
Fixed Income	0	0	0
Equities	256,550	205,590	146,424
Pooled or Mutual Funds	<u>1,630,388</u>	<u>1,652,288</u>	<u>1,882,608</u>
Total Investment Income	<u>1,900,541</u>	<u>1,880,775</u>	<u>2,086,704</u>
Plus:			
Realized Gains	856,671	1,668,415	86,042
Unrealized Gains	10,581,736	15,259,452	3,708,998
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>11,438,407</u>	<u>16,927,867</u>	<u>3,795,039</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	312,480	291,814	1,203,840
Unrealized Loss	3,238,360	2,657,264	12,239,864
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,550,840</u>	<u>2,949,078</u>	<u>13,443,704</u>
Net Investment Income	<u>9,788,109</u>	<u>15,859,564</u>	<u>(7,561,961)</u>
Income Required:			
Annuity Savings Fund	136,778	235,521	333,698
Annuity Reserve Fund	341,214	225,586	188,327
Military Service Fund	213	156	84
Expense Fund	<u>774,531</u>	<u>704,081</u>	<u>672,139</u>
Total Income Required	<u>1,252,737</u>	<u>1,165,345</u>	<u>1,194,248</u>
Net Investment Income	<u>9,788,109</u>	<u>15,859,564</u>	<u>(7,561,961)</u>
Less: Total Income Required	<u>1,252,737</u>	<u>1,165,345</u>	<u>1,194,248</u>
Excess Income To The Pension Reserve Fund	<u>\$8,535,372</u>	<u>\$14,694,219</u>	<u>(\$8,756,209)</u>

* 2001 data not shown, but available upon written request.

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2004			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,231,124	1.31%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	20,802,791	22.06%	65
Pooled Domestic Equity Funds	28,018,633	29.71%	65
Pooled International Equity Funds	11,078,735	11.75%	65
Pooled Domestic Fixed Income Funds	26,188,135	27.77%	40 - 80
Pooled Real Estate Funds	6,976,824	7.40%	10
PRIT Cash Fund	0	0.00%	100
PRIT Core Fund	0	0.00%	100
Grand Total	<u>\$94,296,244</u>	<u>100.00%</u>	

For the year ending December 31, 2004, the rate of return for the investments of the Plymouth Retirement System was 11.51%. For the five-year period ending December 31, 2004, the rate of return for the investments of the Plymouth Retirement System averaged 3.10%. For the twenty-year period ending December 31, 2004, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Plymouth Retirement System was 10.08%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Plymouth Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

May 12, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Plymouth Retirement Board may transfer assets out of the State Street Global Advisors "Equal Weighted" S&P 500 Index Fund into the SSGA Flagship S&P 500 Index Fund. Both funds invest in the same universe of securities. In making this change, the Board is choosing a fund with a slightly higher opportunity/risk profile. The Flagship Fund also has slightly lower annual expenses.

May 2, 1996

20.03(4) International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

February 15, 1995

16.02(4) The board may employ a custodian bank and may charge such expenses retroactive to January 1, 1994 against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund.

July 7, 1994

20.04(6) Foreign corporations and obligations issued and guaranteed by foreign governments.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

May 12, 1994

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million; and
- (b) 0.5% of the value of the fund in excess of \$5 million.

December 17, 1992

20.03(1) Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

February 4, 1992

20.07(4) No more than 8% of the total book value of equity investments shall be invested in the equity securities of any one company.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

September 26, 1990

20.04(1) United States based corporations and fixed income and equity securities of non-U.S. based corporations, provided that:

- a) all such fixed income securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such fixed income securities shall be considered part of the board's fixed income asset allocation and shall not exceed 5% of the total market value of the fixed income portfolio.
- b) all such equity securities are denominated in U.S. currency and issued and traded in U.S. markets, and provided further that the total of all such equity securities shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 1% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of CC or equivalent as rated by one or more recognized bond rating services.

20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a BAA or equivalent rating must be sold within a reasonable period of time not to exceed one year, provided however, that a portion of the fixed income portfolio not exceeding 1% of the market value of the fixed income portfolio which has been downgraded below BAA or equivalent may be held at the discretion of the board's qualified investment advisor.

January 23, 1990

20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve month period.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all **Plymouth** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, s. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$611.28 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Plymouth Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

March 19, 2004

A member of the Plymouth Retirement System who sustains an injury as a result of, and while in the performance of, his duties, or who believes that he has been exposed to an occupational hazard, shall complete a notice of injury and/or accident report, or the equivalent thereto, which specifically identifies the date, time and place of injury, the specific duty being performed at the time of said injury, identify the actual injury sustained or hazard undergone, identify any witnesses to said injury, the department for which the employee works, the title of the employee and to whom the injury was first reported. Said notice of injury or accident report must be filed with the Board within 90 days of suffering said injury.

October 8, 2002 Creditable Service

Members of the Plymouth Retirement System shall receive creditable service in the following:

For a member in service who is employed in a full-time capacity while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

For a member in service who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, he/she will receive one year of creditable service for each full calendar in which the employee is receiving regular compensation for said service.

For a member in service who has been employed in both a full-time and part-time capacity while an employee in the Town of Plymouth, the member will receive full-time credit for full-time service, and prorated credit for part-time service based on the full-time equivalency of 37.5 hours for the position.

For a member who is employed in a part-time capacity throughout his/her entire career while an employee in the Town of Plymouth, but who either purchase's past refunded service, or has transferred into the Plymouth Retirement System service, rendered in a full-time capacity, the member's part-time service shall be prorated based on the full-time equivalency of the position.

In the case of School Department or Town employees whose full-time employment only requires them to work 10 months (September 1 - June 30), said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation, with 10 months being the equivalent of one year of creditable service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Any member who purchases past service rendered shall have said service prorated based on 37.5 hours being considered a full week of service. In the case of an employee who has worked part-time his or her entire career, the purchase of past service rendered shall be calculated based on 20 hours being considered a full week of service.

December 18, 2001 Election of Board Members

The Plymouth Retirement Board shall conduct a simultaneous election for the two elected members of the Board. Both terms of the elected members shall be for three years and expire on the same date. In conducting the election, the Board shall place all candidates who have been nominated in conformance with 840 CMR 7.04 on one ballot.

All eligible candidates shall be listed on the ballot in an order determined by a random drawing of the names of the candidates. In the event that only two candidates have been nominated, the Board shall declare said candidates to be the elected members of the Board, no elections shall be held, and said candidates shall take office and serve in all respects as though he or she had been elected by election. If there are more than two candidates, an election shall be conducted and each member of or retired from the Plymouth Retirement Board shall be allowed to vote for not more than two candidates.

Upon tabulation of the ballots, the two candidates who receive the most votes shall be declared the elected members of the Board. In the event of a vacancy, a new election shall be conducted to fill a vacancy as soon as practicable and the member elected shall serve for the unexpired portion of the vacant term.

March 1, 1995 Creditable Service

Creditable service for part-time or full time employees, either actively contributing or, in the computation to determine make-ups, shall be determined retroactively based upon the following, unless that person has retired or left the employment of the town.

Less than two (2) weeks in any year-----No credit

Two(2) weeks to One (1) month-----One (1) month

One (1) month to Six (6) months-----Month for month

Seven (7) months and over-----One (1) year

One (1) year of credit for seven (7) months of service may only be granted if the work is determined by the retirement board to be seasonal in nature. One (1) year of credit for ten (10) months of service may only be granted for school employees whose work schedule is the academic school year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

July 22, 1991 Membership

All permanent regularly scheduled persons, whether full or part-time and all permanent intermittent full-time police officers and fire fighters, shall be eligible for membership in the Town of Plymouth Retirement System and shall submit an application for such membership. In the categories as outlined above, anyone earning at least \$200. per annum must become a member of system.

March 5, 1990 Creditable Service

For every two years of call firefighter service, this board will grant one year of creditable service, not to exceed a maximum of five years, and such service to be credited only if later appointed as a permanent member of the Fire Department.

February 1, 1990 Creditable Service

To establish a standard policy that C.E.T.A. service not be considered as creditable service and liability on such service will not be accepted by the Plymouth Retirement Board.

October 8, 2002 Travel Regulations

The Board has adopted supplementary rules under the provisions of G.L. c. 7, § 50 relating to attendance at and participation in educational conferences and seminars which address issues related to the Board's fiduciary duty and administrative responsibility for the management of the retirement system. (Regulation available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Finance Director who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such System, and a fifth member appointed by the other four Board members.

Ex-officio Member: Bruce Miller

Appointed Member: John Murphy Term Expires: 6/30/08

Elected Member: Richard Manfredi Term Expires: 6/30/07

Elected Member: Thomas Kelley Term Expires: 6/30/07

Appointed Member: Shawn Duhamel Term Expires: 6/30/08

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The Board must annually file a financial statement of condition for the System with the Executive Director of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following Retirement Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	MACRS policy:
Ex-officio Member:)	
Elected Member:)	\$ 1,000,000 Fidelity Bond
Appointed Member:)	\$ 50,000,000 Fiduciary Liability
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2005.

The actuarial liability for active members was	\$68,154,146
The actuarial liability for retired and inactive members was	<u>86,035,893</u>
The total actuarial liability was	\$154,190,039
System assets as of that date were	<u>94,010,295</u>
The unfunded actuarial liability was	<u>\$60,179,744</u>
The ratio of system's assets to total actuarial liability was	61.0%
As of that date the total covered employee payroll was	\$30,060,722

The normal cost for employees on that date was 8.40% of payroll

The normal cost for the employer was 3.50% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: varies

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2005

The amounts in this table are rounded to thousands ('000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2005	\$94,010	\$154,190	\$60,180	61.0%	\$30,061	200.19%
1/1/2003	\$77,285	\$124,140	\$46,855	62.3%	\$28,957	161.81%
1/1/2001	\$85,389	\$114,181	\$28,792	74.8%	\$27,445	104.91%
1/1/1999	\$71,201	\$98,269	\$27,068	72.5%	\$25,721	105.24%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1995	1996	1997	1998	2009	2000	2001	2002	2003	2004
Retirement in Past Years										
Superannuation	11	11	23	20	2	17	N/A	25	99	26
Ordinary Disability	0	2	0	1	0	0	N/A	0	0	1
Accidental Disability	3	1	4	1	0	2	N/A	1	4	2
Total Retirements	14	14	27	22	2	19	N/A	26	103	29
Total Retirees, Beneficiaries and Survivors	356	349	360	382	379	400	372	412	487	480
Total Active Members	893	953	1,001	958	1,016	1,006	1,066	1,041	987	1,188
Pension Payments										
Superannuation	\$1,492,506	\$1,550,976	\$1,693,982	\$1,924,728	\$2,086,148	\$2,404,724	\$2,620,340	\$3,222,156	\$3,816,234	\$5,249,680
Survivor/Beneficiary Payments	97,549	98,214	107,022	129,283	127,016	130,144	169,696	134,912	144,670	150,634
Ordinary Disability	54,765	71,904	82,088	81,337	83,797	87,558	88,953	76,561	74,888	87,321
Accidental Disability	865,255	895,397	1,146,634	1,051,099	1,087,972	1,122,235	1,188,887	1,009,505	1,090,453	1,272,741
Other	550,234	574,781	742,875	577,028	651,619	600,224	684,020	658,633	682,708	669,375
Total Payments for Year	<u>\$3,060,309</u>	<u>\$3,191,272</u>	<u>\$3,772,601</u>	<u>\$3,763,475</u>	<u>\$4,036,553</u>	<u>\$4,344,885</u>	<u>\$4,751,896</u>	<u>\$5,101,766</u>	<u>\$5,808,952</u>	<u>\$7,429,751</u>

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